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DIRECTORATE OF  
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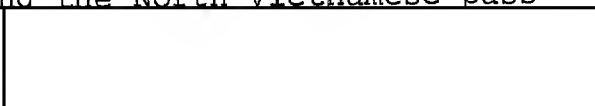
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NORTH VIETNAM: Hanoi apparently intends to mount a drive for diplomatic recognition in non-Communist countries right after a cease-fire agreement is signed.



Hanoi has in fact had an effort along these lines under way for several months. The North Vietnamese have already gained diplomatic recognition from several West European countries, and they have been angling with some success for closer economic relations with the Japanese. In their effort to broaden official ties abroad, they have softened some long-standing preconditions. They now are willing, for example, to accept ambassadors from countries that have embassies in Saigon.

The Viet Cong's provisional government (PRG) also intends to mount a new diplomatic effort designed to differentiate the PRG clearly from Hanoi. One aspect of this drive will be the issuance of new passports by the PRG itself to its representatives abroad, replacing the North Vietnamese passports they now use.



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NATO: The allied foreign and defense ministers meet this week in Brussels to try to resolve their differences over the East-West talks on force reductions and security conference preparations. They will also examine the defense posture of the alliance.

The most pressing topic for the ministers is the allied approach to the initial talks with the East on mutual and balanced force reductions (MBFR), scheduled to begin on 31 January. The US has recently argued that these talks should avoid substance and concentrate on ensuring that Moscow makes good its commitment to go to negotiations next fall. The initial allied reaction was that this switch in the US position reflected a US-Soviet bilateral deal. With the assistance of London and Bonn, the US has now won the grudging acquiescence of many of the allies. A consensus could emerge if the allies are convinced that the US will accept further elaboration of Western positions in a paper being drafted for the Western delegation to the initial talks. Foreign Minister Scheel has decided to lobby actively for the US position.

The debate over the approach to the initial MBFR talks has revealed the intensity of allied concern about the US commitment to consult with them. Secretary-General Luns and a number of foreign ministers may raise this question, at least during informal contacts. Some allies will probably also press for an early US report on the progress of SALT II.

Western unity has so far held up well in the preparatory talks on the Conference on Security and Cooperation in Europe (CSCE) in Helsinki. However, there are some issues which, if not resolved in Brussels, could shortly threaten NATO solidarity at the preparatory talks. One of these is the format for the conference itself. The US remains virtually

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alone in opposing a three-stage conference--a meeting of foreign ministers, followed by working groups to draft agreements, concluding with another high-level meeting, possibly at the summit. Although Washington would like to postpone consideration of this question in Helsinki until after the conference agenda has been discussed, a number of allies think that such a delay may not be possible. They suspect that Paris might join Moscow in pressing for an early decision on the format. The US delegation in Helsinki does not think it can prevent this issue from coming to the fore next week.

French Foreign Minister Schumann may also choose to assert his country's option to deviate from CSCE positions coordinated within NATO. Allied consultations on various conference agenda items have now focused on the mandates for CSCE working groups, drafted during the political consultations of the European Community members. Schumann may say that Paris reserves the right to table the drafts as agreed in the EC, and not as they may emerge from NATO. He will receive little support from his EC partners.

Discussion of the allied defense posture will reveal concern for the increasing difficulty that member states have in justifying defense expenditures. Domestic pressures already are taking much of the steam out of the NATO program--AD-70--designed to spur future allied defense efforts. The Eurogroup--the European caucus in NATO--will report some progress toward rationalization of European defense efforts through a variety of cooperative programs. They also will report a \$1.5-billion increase in their defense budgets for fiscal 1973. However, inflation and rising personnel costs will account for most of this increase. When the Eurogroup defense ministers meet privately, British Defense Minister Carrington and West Germany's Leber will prod their Belgian and Danish counterparts concerning defense reductions now being studied by those two countries.

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FRANCE: Looking toward the parliamentary election scheduled for next March, President Pompidou will announce new measures this week aimed at curbing inflation.

The rise in consumer prices will probably exceed 6.5 percent this year, the largest increase in ten years, and the rate seems to be accelerating. Food prices, always a politically sensitive issue in France, are up even more than the average. Furthermore, little relief is in sight because recent major increases in wages and the money supply will maintain the upward pressure on prices.

Pompidou will announce a further increase in reserve requirements against credit extended by financial institutions, a reduction in the value-added tax on food items, and price restraint agreements with firms in key industrial sectors. Fiscal policy is not likely to change significantly. The government budget is currently balanced and wage-price controls have been ruled out several times in recent months.

The measures appear insufficient to reduce inflation substantially during 1973. Pompidou wants to avoid introducing such unpopular measures as wage controls that would be required to cut down the rate of inflation to any significant degree. Government leaders are attempting to minimize the political repercussions of the price increases by stressing that other industrialized countries are suffering from inflation, some to a greater extent than France, and that the competitive position of French exports in the world market thus has not yet been imperiled. French officials also argue that real wages are continuing to increase and that the economy is growing without serious unemployment problems. Paris is working with its partners in the European Communities to explore all possible ways of attacking the inflation problem.

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French consumers are primarily concerned with their own pocketbooks and attach little weight to government arguments. Labor and opposition political party leaders are vigorously criticizing the government coalition with the hope of weakening the Gaullists' electoral prospects. As a result, the coalition will probably lose some votes, but not enough to prevent its winning a solid working majority in the election.

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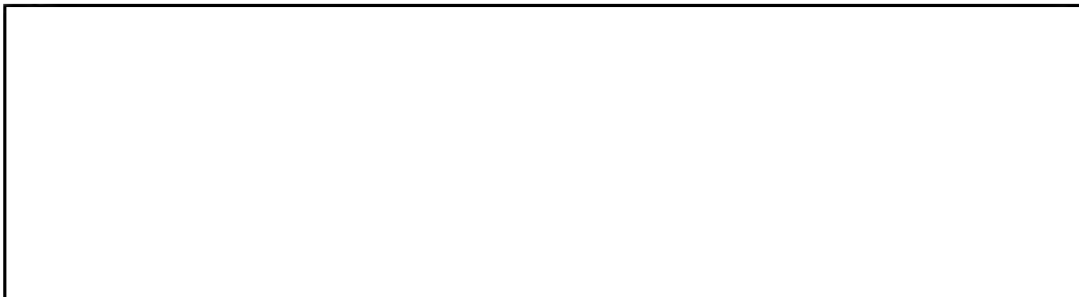
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HONDURAS: The long-anticipated overthrow of President Ramon Ernesto Cruz took place quietly yesterday morning, and chief of the armed forces General Oswaldo Lopez assumed the presidency for "a minimum of five years."

The event that prompted the take-over was the gathering of an estimated 10,000 peasants in the capital to protest the former president's inaction on agrarian reform. Although assured by the peasant association that the demonstration would be entirely peaceful, the military and police have been on alert status since Sunday. Lopez, who has said on several occasions that the country could not continue stumbling from one crisis to another, probably realized that Cruz would remain unresponsive to peasant demands and decided to act in order to forestall potential violence.

In his earlier term as head of government from 1963 to 1971, Lopez accomplished very little. This time, however, he is likely to take some immediate steps toward agrarian reform. Some measures may appear to have nationalistic overtones, but Lopez probably will not venture any serious challenge to private enterprise or US investments. Beyond the immediate crisis, he will probably give increased emphasis to law and order, fiscal reform, and some house-cleaning to reduce the level of corruption. Lopez may also move faster than Cruz to reincorporate Honduras into the Central American Common Market and to normalize relations with El Salvador.



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HAITI: Persistent rumors of further dismissals of top government officials are generating political unrest.

The rumors began shortly after President Jean Claude Duvalier dismissed his de facto "prime minister," Luckner Cambronne, on 15 November. Although Cambronne's dismissal and subsequent departure for exile were effected quietly, they precipitated a wave of reports that numerous other high-level political and military figures were about to be replaced. Thus far, these reports have been unsubstantiated, but the government's publication on 2 December of a special presidential message expressing "complete confidence" in the cabinet and deprecating the rumors demonstrates high-level concern about their potentially destabilizing effects.

At the same time, [redacted] some Haitian military officers are beginning to talk [redacted] about the need for basic changes in the government and in unpopular internal security policies they ascribe both to Cambronne and to his successor as minister of interior and defense, Roger Lafontant. A handful of officers who oppose any further consolidation of the Duvalier family's political power are said to be determined to take action against the government if Marie Denise Duvalier Dominique, the politically ambitious elder sister of the president, returns to Haiti with her husband and either of them assumes an influential position. [redacted]

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The discussion of political subjects by the Haitian military, weakened in recent years by successive purges until it became a submissive tool of the regime, is in itself a politically significant development. [redacted]

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VENEZUELA: Widespread student violence is continuing to trouble the Caldera administration.

The student demonstrations that began at the university level on 9 November have now spread to the high school population. Most secondary schools in Caracas and other major cities are near total paralysis because of the violence and a teachers' strike, and the government has temporarily closed all high schools in several cities to forestall further violence. Where schools remain open, injuries to police, arrests of students, and damage to property have become daily occurrences.

These demonstrations, like the earlier ones, spring from a variety of causes. The one consistent theme is the reiteration of the leftists' demand for the release of what they call political prisoners and the government insists are common lawbreakers. The government has accused at least one major leftist political party of manipulating the disorders.

Although the disturbances have not reached the level of previous years, the Caldera government is very much concerned over the mushrooming student protests and the possibility of a popular backlash. Inhabitants of several slum districts in Caracas reportedly are ready to take to the streets to control the students if the government does not.

Venezuelan security services reportedly are considering ways to cope with the problem, ranging from the imposition of stiffer academic penalties for student lawbreakers to the creation of a joint operations staff in the security services. A variation of this latter proposal worked successfully against insurgents in the 1960s. Any attempt to impose academic punishments, however, is likely to generate an even greater uproar and precipitate more violence.

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JAPAN-TAIWAN: Tokyo has established a semi-official agency to handle trade and other economic and cultural matters with Taipei after the anticipated closure this month of its embassy there. The organization, which will have two branches in Taiwan, will be staffed by businessmen and government officials. The Japanese are concerned about both their existing investments on the island and the future of Japanese exports. Taipei has imposed some restrictions on imports from Japan and is encouraging purchases from the United States and Western Europe. Japan hopes at least to maintain its sizable share of the fast-growing Taiwan market--imports are likely to exceed \$5 billion by 1976--despite the absence of official ties, and Peking apparently has not objected. Japanese sales to Taiwan topped \$920 million in 1971, and should approach \$1.1 billion this year. Taipei will set up a similar association with several branches in Japan.

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